MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2013

PROPERTY INVESTMENT GOVERNANCE ARRANGEMENTS

Issue for Decision

To consider amending the terms of reference of both the Member Advisory Panel relating to Property Investment and the Property Investment Cabinet Committee.

Decision Made

That the terms of reference of both the Member Advisory Panel relating to Property Investment and the Property Investment Cabinet Committee be amended as set out in the attached Appendix.

Reasons for Decision

The Cabinet considered a reference from the Audit Committee recommending:-

"That consideration be given to the amendment of the terms of reference of both the Member Advisory Panel relating to Property Investment and the Property Investment Cabinet Committee to clarify the intention that decisions to either reject or take forward property investment proposals are to be taken by the Cabinet Committee based on the recommendation of the Advisory Panel, supported by a robust financial business case, and having specific regard to the CIPFA Code of Practice."

Proposed amended wording to the Terms of Reference of both the Member Advisory Panel and the Property Investment Cabinet Committee were circulated at the meeting.

Alternatives considered and why rejected

The Cabinet could have ignored the advice of the Audit Committee and not amended the wording of the terms of reference but this was not thought appropriate as the wording was felt to be ambiguous and the intention needed to be clarified clearly.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **21 February 2013**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2013

REFRESH OF THE IMPROVEMENT PLAN FOR 2013-16

Issue for Decision

The Improvement Plan 2012-15 explains the key workstreams for the Council's improvement journey, the drivers for improvement as well as priority services and projects for improvement. It allows work to be planned, sufficiently supported and monitored to ensure savings needs and the improvements required for the Council to meet its priority outcomes are delivered. In line with the Strategic Plan, the Improvement Plan 2012-15 is being retained for 2013/14 but refreshed to take account of any changes. Progress made in priority services and projects for improvement in the first half of 2012/13 was also reported.

Decision Made

1. That the Improvement Plan 2013-16, as set out in Appendix A to the report of the Head of Business Improvement, be adopted.

2. That the recommendations made by Corporate Services Overview and Scrutiny Committee at the meeting on 8 January 2013 (as set out in Appendix B to the report of the Head of Business Improvement) be noted.

3. That Cabinet receive six monthly progress reports on the Improvement Plan be agreed.

Reasons for Decision

The Council has set the priorities and outcomes for the borough of Maidstone in its Strategic Plan. The Medium Term Financial Strategy (MTFS) sets out what will be spent and where savings will be made. In order to deliver the priority outcomes and the savings required, a number of key pieces of work and projects will be carried out. These are detailed in the Improvement Plan 2013-16, which ensures the improvement work is aligned with the Strategic Plan and the MTFS and looks at the work required to 2016.

The Improvement Plan 2012-15 was adopted in February 2012. As the objectives and the workstreams of the Improvement Plan remain sound and much of the work detailed in the previous version of the Improvement Plan is on-going, there has not been much change to the Improvement Plan for 2013-16. The main changes are:

- Corporate support, Environmental Health and Economic Development have been added to the priority services for improvement
- Parking Transport Management has become Integrated Transport Strategy

- The emphasis of improvement for Planning has become sharing the Planning Support function with local authority partners
- Management & Admin recharges review has been removed from the priority projects list as it has been completed
- Appendix 1 of the Improvement Plan has been updated to show the more detailed actions planned for 2013/14
- Appendix 2 of the Improvement Plan sets out the plans for the different phases of work to be carried out for each of the priority services and projects

Good progress has been made on most of the priority services and projects from April – October 2012 compared to the plans for 2012/13 set out in the Improvement Plan 2012-15. This was reported to Cabinet and Corporate Services Overview and Scrutiny Committee in December 2012 and January 2013 respectively. Some highlights include:

- Completion of the procurement of the new waste and recycling contract, which will produce significant savings
- Review of customer centred services almost completed – good information has been gained on the types of people who contact us about different things and why they transact with the Council in different ways. Recommendations are being formulated on how we can make our services more customer focused and engage with residents better
- New website being designed which is managed by Customer Services; beta version to be launched for public testing in February 2013
- Progression of the ICT shared service with Swale and Tunbridge Wells borough councils which is expected to 'go live' in April 2013
- Peer review of Planning completed and recommendations being implemented

The Improvement Plan has three objectives:

1. A reduction in net cost, through making savings or increased income
2. Improving or maintaining quality: ensuring we deliver excellent services, which means delivering what is promised to agreed standards
3. Identifying and responding to opportunities aligned with the Strategic Plan

The four corporate workstreams (1-4) and enablers (5-7) of the plan are:

1. Incremental improvement
2. Asset management
3. Transformation
4. External challenge
5. Organisational culture
6. Good information and knowledge management
7. Councillor assurance

The priority services and projects for improvement have also been identified in the Improvement Plan, based on priorities in the Strategic Plan, our current knowledge of any external or internal opportunities and potential for improvement and/or reduction in net cost. These are as follows:

- Waste and Recycling
- ICT
- Hazlitt Arts Centre
- Planning
- Revenues and Benefits
- Housing
- Corporate Support
- Environmental Health
- Finance
- Building Control
- Economic Development
- Customer Service delivery
- Integrated Transport Strategy
- Cross-organisational collaboration
- Future use of Town Hall
- Major assets review
- Community asset transfer
- More proactive use of the performance management software system
- Corporate peer review
- Other shared services and Mid Kent Improvement Partnership (MKIP) work

Our main priorities for 2013/14 are:

- Waste and Recycling – implementing new household waste and recycling contract and launching new commercial waste service
- Customer services delivery – implementing improvements in customer service delivery recommended in the review of customer centred services
- ICT – Embedding new shared service structure and consolidating ICT systems across the partnership in Planning and Environmental Health
- Hazlitt – implementing the preferred option for delivery
- Planning – progressing shared Planning Support with our MKIP partners
- Economic Development – adopting the Regeneration and Economic Development Plan and put in place the necessary skills and resources to deliver the plan
- Revenues & Benefits – implementing the Local Council Tax Support Scheme and responding to the anticipated issues this scheme plus welfare reform changes will cause
- Corporate Support – investigating commercialisation of Print Services and the viability of sharing our Corporate Support service with other local authority partners
- Environmental Health – investigate and implement (if agreed) sharing the service with MKIP partners
- Building Control – investigating commercial options and implementing the agreed option
- Integrated Transport Strategy – adopting our Integrated Transport Strategy (ITS)
- Major assets review – replacing the existing King Street car park with a new surface level car park
- Corporate peer review – completing this and beginning to implement any recommendations
- Future use of Town Hall – review options and make recommendations

Compiling an Improvement Plan allows the key workstreams to be brought together and monitored. A working group made up of officers responsible for each of the workstreams and enablers, the Chief Executive and the Leader make up a monitoring group to ensure the plan progresses and benefits are delivered:

- Leader – provides political leadership and councillor assurance (as defined in the Improvement Plan)
- Chief Executive - accountable for delivery of Improvement Plan
- Assistant Director of Environmental & Regulatory Services – responsible for Asset management workstream
- Head of Change & Scrutiny – responsible for Incremental improvement and External challenge workstreams
- Head of Business Improvement – responsible for Transformation workstream and Good information and knowledge management enabler
- Head of HR – responsible for Organisational culture enabler
- Head of ICT – responsible for Use of technology, which is not a workstream or an enabler but a critical tool for improvement
- Head of Finance & Customer Services – essential to ensure that any improvement work is aligned with the MTFS

The draft Improvement Plan 2013-16 was discussed with Corporate Services Overview & Scrutiny Committee on 8 January 2013. Several recommendations were made and these have been incorporated into the Plan.

It was recommended that the Plan continues to be updated annually as a rolling programme and progress is reported to Cabinet on a six-monthly basis.

Alternatives considered and why rejected

The Cabinet could have decided not to adopt the Improvement Plan. This was not thought appropriate as the Improvement Plan is essential for allowing oversight of a number of different pieces of work across the organization and is aligned with the Strategic Plan and MTFS.

The Cabinet could have decided to alter the Improvement Plan 2013-16 more fundamentally from the Plan for 2012-15. This was not thought appropriate as it was felt that the few changes already incorporated were sufficient to ensure the Improvement Plan is relevant for the next three years.

Background Papers

Improvement Plan 2012-15

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **21 February 2013**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2013

STRATEGIC RISK REGISTER 2013-2015

Issue for Decision

To consider the approval of the Strategic Risk Register.

Decision Made

1. That the Strategic Risk Register, as set out at Appendix 1 to the report of Head of Audit Partnership, be adopted.

2. That the process for monitoring and reporting action on the Risk Register be agreed.

3. That the respective responsibilities for the risk management process (as shown in the body of the report of Head of Audit Partnership) be agreed.

4. That the risk owners of risk scenario 2 to be the Head of Change and Scrutiny and the Cabinet Member for Corporate Services and the risk be re-scored to a) Very Low for likelihood and b) Severe for impact.

Reasons for Decision

The report of the Head of Audit Partnership sets out the strategic risks to the delivery of the Council's key objectives. The risks have been identified through risk workshops with the Corporate Leadership Team and a similar session at an informal Cabinet Away Day.

The risk workshops were facilitated by a risk consultant from Zurich Risk Management Services Ltd and were funded by the allowance that the Council receives from Zurich under the terms of its insurance contract.

Strategic Risk can be defined as: Those risks, at a corporate level, which could materially affect the Council's ability to achieve its aims and objectives.

Risks which do not meet the above criteria are by definition operational risks. Operational risk can be defined as: Those risks faced in the day-to-day delivery of services. Operational risks are identified and addressed as part of the annual service planning process.

The Council has adopted an established methodology for risk analysis and prioritization based around an approach which has been developed by Zurich Management Services Ltd, which conforms to best practice guidance from the Association of Local Authority Risk Managers (ALARM).

As part of the initial risk workshop exercise with the Corporate Leadership Team, the attendees were asked to agree which senior officer should have ‘ownership’ of the individual risks. Ownership in this sense means that the allocated senior officer will take responsibility for ensuring that the risk is properly managed. This involves the completion of a management action plan, which needs to be updated on a regular basis.

In the course of the informal Cabinet Away Day on the 14 January 2013, it was agreed that the appropriate Portfolio Holder would take joint ownership of the risk.

The register itself needs to be similarly ‘owned’. The collective ownership of the Strategic Risk Register rests with the Corporate Leadership and with Cabinet. The Audit Committee then performs the role of ‘monitoring the effective development and operation of risk management’.

The draft strategic risk register identifies six risk areas and shows the officers and members who will be responsible for managing the risk and taking the necessary risk mitigation measures:

- Having the right resources which are used in the right way (Paul Riley/Alison Broom/Chris Garland
- Delivering services in a way that increases the satisfaction of residents with the place they live (Angela Woodhouse/Eric Hotson)
- Economic downturn/austerity agenda (Zena Cooke/John Wilson/Malcolm Greer)
- Creating the place we want to be (David Edwards/Stephen Paine)
- Delivering services in partnership with others (Alison Broom/Chris Garland)
- Impacts arising from political change (Angela Woodhouse/Chris Garland)

In accordance with the Council’s risk assessment methodology, each risk has been assessed in terms of the likelihood of each strategic risk occurring on a scale of 1 (minimal) to 6 (very high) and on the potential impact, on a scale of 1 (negligible) to 4 (major). The assessments are shown in the draft Strategic Risk Register (set out in Appendix 1 to the report of the Head of Audit Partnership) and the Risk Matrix (set out in Appendix 2 to the report of the Head of Audit Partnership).

Since the informal Cabinet Away Day on 14 January, further consideration has been given to Risk Scenario 2. Initially this risk related almost exclusively to the channel shift proposals to deliver a significant number of services on-line. In discussion with the Chief Executive it was agreed that the risk scenario needed to be expanded to include satisfaction with Maidstone as a place to live and the way that services are provided to residents. This is a significant change to the original risk scenario and Cabinet was therefore asked to agree who is the most appropriate owner for this changed risk and whether the broader risk needs to be re-scored in terms of likelihood and impact.

<u>Management Action Plans</u>

Management Action Plans will be completed by the risk owners. The ‘current risk score’ will incorporate a traffic light approach (red, amber, green) to reflect where the risk appears on the risk matrix.

Six-monthly action plan updates will be sought from the risk owners. This will result in a report to Cabinet via Corporate Leadership Team ("CLT").

It is important that the strategic risk process becomes an embedded part of the governance and strategic management cycle and that it remains fresh and meaningful. Reports to CLT and Cabinet on risk will therefore be scheduled to coincide with reports on the Council's Corporate Plan (June and November).

New strategic risks will need to be added to the register as they emerge and older risks may no longer need to be managed at a strategic level and may therefore be dealt with operationally. The changes to the risk register need to occur as part of the six-monthly reporting process.

Cabinet was asked to endorse this reporting process.

<u>The respective responsibilities for the risk management process</u>

In order to ensure accountability, which is vital to the effectiveness of the process, it is essential that the roles and responsibilities of those involved in the process are clear. The following definition of responsibilities is proposed:

a) The Head of Audit Partnership (together with the Audit Manager) is responsible for coordinating the strategic risk management process and reporting on the actions being taken to manage the identified risk.

b) The individual senior officer 'risk owners' are responsible for taking action to manage their risks and for providing periodically updated action plans to the Head of Audit Partnership for subsequent reporting to Corporate Leadership Team and Members. Portfolio holders are responsible for agreeing the completed action plans with the responsible officer.

c) Corporate Leadership Team is collectively responsible with Cabinet for the Strategic Risk Register and ensuring that strategic risk is properly managed.

d) Cabinet is responsible for agreeing the Risk Strategy and adopting the Strategic Risk Register.

e) The Audit Committee is responsible for monitoring the effective development and operation of risk management.

Cabinet was asked to agree the respective roles for the risk management process as shown above.

Alternatives considered and why rejected

The alternative action would be to not have a strategic risk register, however this was not thought appropriate as it would bring into question the adequacy of the Council's governance and business planning arrangements.

Background Papers

Cabinet Members Strategic Risk Register Refresh – Draft workshop report – January 2013 – Zurich Management Services Ltd.

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **21 February 2013**

MAIDSTONE BOROUGH COUNCIL

RECORD OF DECISION OF THE CABINET

Decision Made: 13 February 2013

BUDGET MONITORING THIRD QUARTER 2012/13

Issue for Decision

To consider the Revenue and Capital Outturn position as at 31st December 2012.

Decision Made

1. That the satisfactory revenue position at the end of the third quarter 2012/13 be noted.

2. That the proposals for slippage and re-profiling in the capital programme to 2013/14 be agreed.

3. That the detail in the report of the head of Finance & Customer Services on the collection fund, general fund balances and treasury management activity be noted.

Reasons for Decision

The Director of Regeneration & Communities is the Responsible Financial Officer, and has overall responsibility for budgetary control and financial management. However in practice day to day budgetary control is delegated to service managers, with assistance and advice from their director and the finance section. The report of the Head of Finance & Customer Services advised and updated Cabinet on the current position with regard to both revenue and capital expenditure against the approved budgets, and also included sections on Collection Fund performance and Treasury Management performance.

Revenue

The budget used in the report of the Head of Finance & Customer Services was the revised estimate for 2012/13. Actual expenditure to December 2012 includes all major accruals for goods and services received but not paid for by the end of the quarter.

An analysis that is summarised by Portfolio, of the full year budget, the profiled budget to December 2012 and expenditure to December 2012, was attached as Appendix A to the report of the Head of Finance & Customer Services. The profiled budget showed the total amount expected to be spent by December 2012 after considering the expected pattern of spend throughout the year for each budget head. An indicative projected year end outturn figure was also shown.

Appendix A to the report of the Head of Finance & Customer Services showed actual spend is £0.24m less than the budget at the end of quarter three, compared to a figure of £0.33m less than the budget at the end of quarter two. A detailed analysis of the figures at cost centre level shows 116 out of a total of 213 cost centres are currently reporting actual spend less than budget, which mirrors the position at the end of quarter two.

As part of a series of changes to the budget monitoring and reporting process the financial analysis in Appendix A to the report of the Head of Finance & Customer Services is based on direct expenditure only. This removes the influence of internal recharges and accounting adjustments upon the variance analysis. At this time it is expected that final outturn will report an under spend, after adjustment for resources to be carried forward into 2013/14, of approximately £0.30m.

Also shown at Appendix A to the report of the Head of Finance & Customer Services was an analysis by subjective across all services. This identified that £300,000 of the under spend relates to employee costs, due to continuing vacancy levels.

In addition to the under spend in employee costs, the subjective analysis showed that income receipts are creating an adverse variance against expected budget to date. The third table at Appendix A to the report of the Head of Finance & Customer Services summarised the position specifically with regard to fees and charges income. This was the subject of a separate report to Cabinet in December 2012 as this has been an area that has been adversely affected by the economic downturn. At the end of the third quarter income is £34,879 under the target figure. It was noted that within this variance a number of areas reported income in excess of budget which has reduced the adverse variance, and it is anticipated that the variance will be reduced by year end.

The adverse variances in Parks & Open Spaces, at the Market, in Land Charges and on the Park & Ride service are discussed in more detail below. The other area of concern was income from Pay & Display Car Parking. Whilst there was a shortfall in income, the budget pressure has been offset by a significant reduction in running costs.

A number of service areas are reporting positive variances through significantly less spend or additional income than was budgeted for at the end of quarter three. Brief details on these areas are given below:-

a) The Community Development budget is showing a favourable variance of £38,494 against the budget. This is because external funding has been received for a number of projects which have either only just started or have yet to commence, so it is anticipated that this variance will reduce during the final quarter.

b) The budget for Maidstone House is showing a favourable variance of £53,340. This is a consequence of additional income, some of which relates to previous years. There have been ongoing discussions with the landlords on a number of issues, some of which have been resolved, and some of which are still continuing, so there may be further adjustments due on this budget.

c) The overall budget for Planning is showing a favourable variance of £59,876. The most significant element of this is Development Control Applications, where additional planning fee income is producing a favourable variance of £133,686. This is due to an increase in the charge for planning fees and in applications, and new staff will be recruited to deal with the increased workload. However, Land Charges is showing an adverse variance of £43,486, which is due to less than anticipated income. This is a consequence of the downturn in the housing market, which cannot be directly influenced by the Council.

d) The Environmental Enforcement budget is showing greater than anticipated income of £72,104 from Fixed Penalty Fines for litter. Officers are looking at options for utilising this excess income within the Street Scene operational area, in particular exploring options to fund equipment that will improve street cleanliness. There are also ongoing discussions to fund the legal costs of prosecution. In addition to this £25,000 will be transferred to the Parks & Open Spaces budget on a one-off basis, as this area has been experiencing difficulties in income generation and with unanticipated costs arising from tree works and insurance excesses.

e) On-Street Parking is showing greater than anticipated income of £58,512, as well as less than anticipated expenditure of £27,793. The Transport & Parking Services Manager has indicated that a programme of works for lines and signs has been identified, and this will be undertaken in bulk by the end of the financial year, thus benefiting from economies of scale. The under spend on the repairs and maintenance should therefore reduce by the end of the financial year. However this is partially offset by expenditure on Residents Parking, which is currently £35,745 greater than budget. This is mainly due to a shortfall in Penalty Charge Notices income for the year to date. The Transport & Parking Services Manager is aware of the position and is currently investigating the reasons behind the shortfall.

A number of areas are showing significantly more spend or a shortfall in income than was actually budgeted at the end of quarter three, and these are reported below:-

a) The Sundry Corporate Property budget is reporting expenditure greater than budget of £92,102. The main element of this is the vacant retail unit underneath King Street Multi-Storey Car Park, for which business rates are still due, as well as there being no rental income received. Cabinet have agreed to demolish the car park and re-develop the site as a surface car park. It is expected that this budget pressure will reduce but not be completely removed during the remainder of the financial year due to the impending demolition meaning a period of restricted options to generate income. Whilst the performance report elsewhere on this agenda does not currently show problems in relation to this issue, the pending demolition means that members should expect to see an effect on performance by the year end.

b) The projected overspend for the Museum was reported to be £131,569 at the end of the second quarter. £54,443 of the overspend continues to relate to the Museum's NNDR bill which has been challenged, the outcome of which will not be known until August 2013. A further £34,000 continues to relate to one-off utility and building costs that will not be incurred in 2013/14. Management action has been taken to reduce the overspend, including the use of external grants and additional income arising from the commercial use of the collections and this has been reduced to £85,000. It will be difficult to further reduce the current projected overspend in the remaining quarter, although further options for management action are being considered in consultation with Finance.

   The Museum is continuing to configure its service in line with the requirements of the new facility and putting into place the activities set out in the business plan. The service configuration together with the management action being taken will ensure a balanced budget for 2013/14 onwards.

c) The Market is now showing an adverse variance of £41,308. This is a combination of a downturn in income from both the Tuesday and Saturday markets, and from the operator of the site, reflecting the current low level of occupancy. Efforts are continuing to encourage a greater level of trading activity at the Tuesday and Saturday markets.

d) Park & Ride continues to show a significant shortfall in income, with the adverse variance now standing at £90,707. This follows the trend for the previous two quarters, and reflects the ongoing decline in the number of passengers using the service as referenced in the performance report elsewhere on this agenda. A reduction in the contract costs budget has been implemented in readiness for a reduction in service levels in January 2013. A report to fund the shortfall by using a carry forward of £0.117m from On Street Parking was agreed by Cabinet and has been confirmed by Kent County Council.

e) There is also a continuing problem with the Homeless Temporary Accommodation budget showing expenditure greater than budget, with the variance now standing at £83,616, which reflects the position reported for the previous two quarters. This budget experienced similar problems during the last financial year, with expenditure on providing temporary accommodation being significantly higher than the budgeted figure. Growth of £60,000 was approved as part of the budget strategy for 2012/13, but demand for this service continues to be higher than anticipated. The service manager is working with the Cabinet Member to bring forward proposals to reduce the pressure but it is unlikely that this budget pressure will be reduced during this financial year. The performance report elsewhere on this agenda demonstrates the increased level of demand for this service that has caused this budget pressure and includes in its appendices an action plan to manage the demand.

The report of the Head of Finance & Customer Services identified no risks that require action by Cabinet at this time. Allowing for the continuation of the issues detailed as budget pressures above, the predicted outturn for 2012/13 is a favourable variance of £0.30m.

Through the budget strategy for 2012/13, savings and efficiencies were identified totalling £1.9m. These savings are being monitored corporately and it is anticipated that the target will be met in year, with a number of staffing related savings delivered early as reflected in the projected underspend.

Balances

Balances as at 1st April 2012 were £10.1m. The current medium term financial strategy assumes balances of £5.1m by 31st March 2013.

The major reason for the movement in balances during 2012/13 relates to the use of carry forwards approved by Cabinet in May 2012. In addition, the balance of £5m at 31st March 2013 assumes the use of the 2011/12 underspend.

The position set out above allows for the minimum level of balances of £2.3m, as previously agreed by Cabinet, to be maintained.

Collection Fund

The collection rates achieved for the third quarter, and the targets set, are shown below. The rate is given as a percentage of the debt targeted for collection in 2012/13.

	Target %	**Actual %**
NNDR	87.9	86.5
Council Tax	87.8	87.0

Both have marginally missed their respective targets and this reflects the experience at other billing authorities in Kent, although it should be noted that Maidstone has the highest collection rate for the year to date in Kent for Council Tax.

Whilst the percentage variances are small, the gross values of Council tax and Business Rates collected each year are significant. These variances represent approximately £0.75m of income that is now behind the profiled collection schedule. The Head of the Revenues and Benefits Partnership follows a recovery timetable and action will be taken before year end to attempt to bring collection rates back to target.

Prior year arrears collection is on target and officers will continue to pursue payment of any developing arrears along with the arrears from prior years.

The changes to the local government finance system, in particular the Business Rates Retention Scheme which comes into effect from April 2013 will create a level of risk for the Council that is new and as yet untested. Robust monitoring of the collection rates as well as early warning systems will be critical to ensure timely management action can be taken to minimise any adverse variances.

Capital Expenditure

Attached at Appendix B to the report of the Head of Finance & Customer Services is a summary of the current capital programme for 2012/13, as agreed by Council. This includes the initial capital programme for the financial year plus amounts carried forward from 2011/12. It also reflected the slippage that was identified in the second quarter report.

The table in Appendix B to the report of the Head of Finance & Customer Services gives the following detail:

Column	Detail.
1.	Description of scheme, listed in portfolio order.
2.	Approved budget for 2012/13 after the adjustments detailed above.
3.	Actual spend to the end of December 2012.
4.	Balance of budget available for 2012/13.
5 – 7.	Quarterly analysis of expected spend for the remainder of 2012/13.
8.	Balance of budget that will slip into 2013/14.
9.	Budget no longer required.

Capital expenditure to the end of the third quarter of 2012/13 is shown as £2.8m. £1.7m of this spend is in relation to the major projects at Mote Park and in the High Street.

The figures for the High Street project include preliminary expenditure incurred in respect of phase 2 of the scheme, covering initial investigation and design costs. These costs will be funded from the budget agreed for phase 2.

Following the third quarter's monitoring, officers anticipate that £0.871m will need to be re-profiled into 2013/14. This is detailed in column 8 of Appendix B to the report of the Head of Finance & Customer Services. These are items where the programmed works have been rescheduled to now take place during 2013/14.

Capital Financing

The agreed capital programme 2011/12 to 2014/15, as approved by Council in March 2012, and subsequently amended by Cabinet in May 2012 and again in July 2012, identifies sufficient resources to finance the 2012/13 programme.

Resources that can currently be confirmed are:

Funding Source:	£.m
Grants & Contributions	2.1
Capital Receipts	3.0
Revenue Support	3.9
	9.0

The capital receipts figure includes the disposals of Hayle Place and 13 Tonbridge Road which took place in April. Progress is also being made on a number of other potential disposals, which could realise further receipts during the year.

Based on the current projected expenditure shown at Appendix B to the report of the Head of Finance & Customer Services there are sufficient resources to fund the programme for the current year without the need to borrow.

The slippage and re-profiling approved will mean that net expenditure of £0.871m will be re-profiled into 2013/14.

Treasury Management

The Council has adopted and incorporated into its Financial Regulations, the CIPFA Code of Practice on Treasury Management 2009 (Revised) in Local Authorities. This Code covers the principles and guidelines relating to borrowing and investment operations. In March 2012 the Council approved a Treasury Management Strategy for 2012/13 that was based on this code. The strategy requires that Cabinet should be informed of Treasury Management activities quarterly as part of budget monitoring.

During the quarter ended 31st December 2012:

- The Bank of England November 2012 Inflation Report has again pushed back the timing of a return to trend growth and the rate at which inflation will fall back towards the target rate of 2%;

- Retail sales in the high street have weakened where consumers are looking to repay debt. However sales elsewhere have remained constant;

- Employment continued to rise, but slower than anticipated;

- There has been a 0.4% quarterly fall in GDP in this quarter which leaves growth for 2012 at about -0.1%.

The Council's Treasury Management Advisors, Sector Treasury Management, provide the following forecast:

- There is potential for more quantative easing in 2013;

- The main rating agencies have all made it clear they are reviewing the UK's "AAA" status in early 2013. There is a chance of the current ratings being downgraded;

- Bank rate is not expected to start rising until quarter 1 of 2015;

- PWLB long term rates are expected to reach 5.2% by March 2016;

- As at 31st December 2012 the Council held £31.1m, in investments. A full list of the investments held is given in Appendix C to the report of the Head of Finance & Customer Services. £18.1m of investments in the appendix are in accounts which can be called upon immediately or for a short notice period.

During the first quarter of 2012/13 investment income has been above target. Income of £0.22m has been received compared to a budget of £0.19m. This is due to investment rates being higher than expected in the first part of the year, however recent rates have fallen.

Alternatives considered and why rejected

The budget monitoring process could be left to officers. The Constitution already requires officers to report budget variances to the relevant Cabinet Member in specific circumstances. The absence of any such reports would then suggest that no specific items have been identified for consideration.

If such an approach were taken Cabinet Members would have a reduced financial awareness. This could restrict Cabinet's ability to meet service requirements and achieve the Council's corporate objectives.

Background Papers

None

Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: **21 February 2013**